GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2560
ANSWERED ON:04.12.2009
COMMITTEES ON FINANCIAL INCLUSION
Munda Shri Arjun

Will the Minister of FINANCE be pleased to state:

(a) whether various committees on financial inclusion and rural finance have recommended to provide bank loans to 50 per cent families in the rural areas under the National Rural Financial Plan;

(b) if so, the details thereof;

(c) whether the Government have formulated any programme to provide loans under the rural finance to 50 per cent families by the year 2012;

(d) if so, the manner in which loans are being provided to the villages of the States,and

(e) the time by which the said programme is likely to be implemented?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (e) The Committee on Financial Inclusion, constituted by the Government of India in June 2006 under the chairmanship of Dr. C. Rangarajan recommended that while banks could target 100 per cent coverage in respect of a no-frills basic bank accounts, a more realistic and clear target at the national level would be to provide access to comprehensive financial services, including credit, to at least 50 per cent of such households, say 55.77 million by 2012 through rural and semi-urban branches of commercial banks and Regional Rural Banks (RRBs). In this context, the Committee had recommended that the semi-urban and rural branches of commercial banks and RRBs may set for themselves a minimum target of covering 250 new cultivator and non-cultivator households per branch per annum, with an emphasis on financing marginal farmers and poor non-cultivator households.

Accepting the recommendations given by the Committee, the Government of India had announced in the Union Budget Speech for the year 2008-09 that while banks would be encouraged to embrace the concept of Total Financial Inclusion, the commercial banks and RRBs would be advised to add at least 250 rural household accounts every year at each of their rural and semi-urban branches; and allow individuals such as retired bank officers, ex-servicemen etc to be appointed as business facilitator or business correspondent or credit counselor. Accordingly, the Reserve Bank of India (RBI) permitted the banks in April 2008 to engage retired bank employees, ex-servicemen and retired employees as Business Correspondents (BCs), in addition to the entities already permitted, subject to appropriate due diligence. While appointing such individuals as BCs, banks were advised to ensure that these individuals were permanent residents of the area in which they proposed to operate as BCs and also institute additional safeguards as might be considered appropriate to minimise agency risk. The RBI has recently again expanded the list of BCs to include various other sections of society. Further, on the basis of recommendation of High Level Committee constituted by RBI under the chairperson of Smt Usha Thorat, Deputy Governor, RBI has advised to lead banks to provide banking services in every village having population over 2000 by March 2011.